

PUBLIC DISCLOSURE

December 30, 2011

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

SOUTH COASTAL BANK

CERT # 23345

279 UNION STREET

ROCKLAND, MASSACHUSETTS 02370

Division of Banks

1000 Washington Street

Boston, Massachusetts 02118

Federal Deposit Insurance Corporation

350 Fifth Avenue, Suite 1200

New York, New York 10118

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks or the Federal Deposit Insurance Corporation concerning the safety and soundness of this financial institution.

TABLE OF CONTENTS

General Information.....	1
Institution’s CRA Rating	1
Scope of Examination	2
Description of Institution	3
Description of Assessment Area.....	4
Conclusions with Respect to Performance Criteria	7
Appendix A – Fair Lending Policies and Procedures	12

GENERAL INFORMATION

The Community Reinvestment Act (“CRA”) requires the Division of Banks (“Division”) and the Federal Deposit Insurance Corporation (“FDIC”) to use their authority when examining financial institutions subject to their supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agencies must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **South Coastal Bank (or the “Bank”)**, prepared by the Division and the FDIC, the institution's supervisory agencies, as of December 30, 2011. The agencies evaluate performance in the assessment area(s), as they are defined by the institution, rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all of the institution's branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in Massachusetts Regulation 209 CMR 46.00. The FDIC rates the CRA performance institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345 of the FDIC's Rules and Regulations.

INSTITUTION'S CRA RATING: This institution is rated “Satisfactory.”

A CRA rating of "Satisfactory" is assigned. An institution in this group has an adequate record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities. The following conclusions under each of the Small Bank performance factors support the assigned rating:

- The Bank's average net loan-to-deposit (“LTD”) ratio of 102.8 percent between September 30, 2006 and September 30, 2011, is more than reasonable, given the institution's size, financial condition, and assessment area credit needs.
- A majority of the Bank's home mortgage and small business lending is inside the assessment area.
- The distribution of borrowers reflects, given the demographics of the assessment area, a reasonable penetration of loans to individuals of different income levels (including low- and moderate-income) and businesses of different sizes.
- The geographic distribution of home mortgage and small business loans reflects a reasonable dispersion throughout the assessment area.
- The Bank has not received any CRA-related complaints since the last CRA evaluation.

SCOPE OF EXAMINATION

This evaluation was conducted jointly by the Division and the FDIC. Small Bank CRA evaluation procedures, as established by the Federal Financial Institutions Examination Council (“FFIEC”), were used to assess the Bank’s CRA performance, as the Bank had total assets of less than \$280 million as of December 31st of each of the prior two calendar years. Small Bank CRA performance factors include: LTD ratio, assessment area concentration; borrower profile; geographic distribution; and response to CRA complaints. The examination focused on home mortgage and small business lending, as these reflect the primary loan products offered by the Bank. Home mortgage lending activity between January 1, 2009 and September 30, 2011 and small business lending activity in the first three quarters of 2011 were analyzed. As home mortgages account for a more significant portion of the Bank’s lending activity, greater weight is assigned to this loan type in arriving at overall conclusions.

Consumer loans and small farm loans were not considered in the evaluation as consumer loans represent a nominal percentage (0.5 percent) of the loan portfolio, and the Bank does not maintain any small farm loans in its loan portfolio.

Information concerning home mortgage lending was derived from the Bank’s Loan Application Registers (“LARs”), reported pursuant to the Home Mortgage Disclosure Act (“HMDA”). The LARs contain data about home purchase and home improvement loans, including refinancing, of one- to four-family and multi-family (five or more units) properties. While the tables depict 2009, 2010, and year-to-date (YTD) 2011 home mortgage data, the primary focus of this evaluation is lending performance in 2010, as this is the most recent year for which aggregate data is available. Aggregate lending data is used for comparison purposes within the evaluation, is a measure of loan demand, and includes lending information from institutions reporting at least one home mortgage in the Bank’s assessment area. Residential lending activity for 2009 and the first three quarters of 2011 was also analyzed to identify any significant trends or anomalies. The borrower profile and geographic distribution criteria consider only those loans made within the Bank’s designated assessment area.

As the Bank is not required to report its small business loans due to its asset size, information concerning small business lending was derived from internal loan reports, and a statistical sample was used. Of the 55 small business loans made in the first three quarters of 2011 totaling \$14,017,000, 34 were sampled. For purposes of this evaluation, small business loans include commercial real estate and commercial and industrial loans with balances of \$1 million or less. Comparisons to small business aggregate data are not included, as the aggregate lenders are generally much larger institutions required to report small business data. Instead, the Bank’s small business lending performance is compared to pertinent 2011 business demographic information.

Demographic information is from the 2000 U.S. Census unless otherwise noted. Financial data was derived from the September 30, 2011 FFIEC Report of Condition and Income (Call Reports).

PERFORMANCE CONTEXT

Description of Institution

South Coastal Bank is a state-chartered, investor-owned institution headquartered in Rockland, Massachusetts. Originally chartered in 1868, and operating as Rockland Savings Bank until September 2000, the Bank is a wholly-owned subsidiary of MountainOne Financial Partners, Inc., which is a wholly owned subsidiary of MountainOne Financial Partners, MHC.

The main office is located at 279 Union Street in Rockland, Massachusetts. In addition to the main office, the Bank operates two full-service branches, one in Quincy, the other in Scituate. Since the previous CRA evaluation, the Bank closed one branch and relocated two. In July 2010, the Braintree branch (upper-income tract) located at 405 Washington Street was closed. In June 2009, the Scituate branch was relocated from 49 Front Street to 54 Front Street; and in March 2010, the Quincy branch was relocated from 1259 Hancock Street to 77 Granite Street. None of the Bank's full-service branches are located in low- or moderate-income census tracts. The main office in Rockland and the Quincy branch are located in middle-income census tracts, and the Scituate Branch is located in an upper-income census tract.

The Bank offers commercial, installment, and mortgage loans; electronic and on-line banking services; telephone banking; and consumer deposit products such as checking, savings, certificates of deposit, and individual retirement accounts. Commercial deposit products are offered and include checking, savings, money market, and sweep accounts.

South Coastal Bank maintains a website at www.southcoastalbank.com. The Bank's website provides personal and business product information as well as rate information. Users can apply for a residential mortgage or a home equity loan by initiating an online loan application. The Bank also offers retail and business online banking which allows customers to view account balances and history, transfer funds between accounts, pay bills, schedule automatic recurring payments, view images of paid checks, and download account history.

As of September 30, 2011, the Bank's assets totaled \$260.6 million and total loans stood at \$200.4 million, or 76.9 percent of total assets. Since the prior CRA evaluation, the Bank's asset size increased 4.7 percent and total loans increased 11.0 percent. Table 1 illustrates the Bank's loan portfolio distribution as of September 30, 2011.

Table 1 -Loan Portfolio		
Loan Type	Dollar Amount \$(000s)	Percent of Total Loans (%)
Construction and Land Development	12,842	6.4
1-4 Family Residential	97,148	48.5
Multi-Family (5 or more) Residential	5,224	2.6
Commercial Real Estate	63,597	31.7
Total Real Estate Loans	178,811	89.2
Commercial and Industrial	17,980	9.0
Consumer	1,077	0.5
Other Loans	2,744	1.3
Less: Unearned Income	<186>	<0.0>
Total Loans	200,426	100.0

Source: September 30, 2011 Call Report

Table 1 illustrates that the Bank is primarily a real estate lender, with 1-4 family residential real estate representing the most significant portion of the loan portfolio at 48.5 percent. The second largest percentage of the loan portfolio is commercial real estate, at 31.7 percent, followed by commercial and industrial loans at 9.0 percent. Total real estate loans account for 89.2 percent of the total loan portfolio.

The Bank received a CRA rating of “Satisfactory” from the Division and FDIC at the previous CRA evaluation dated July 17, 2006. At that time, the Bank was evaluated under the Intermediate Small Bank examination procedures.

There are no apparent financial or legal impediments that would limit the Bank’s ability to help meet the credit needs of its assessment area.

Description of Assessment Area

The CRA requires financial institutions to define an assessment area within which its CRA performance will be evaluated. The Bank’s assessment area as currently defined meets the technical requirements of the CRA regulation since it: (1) consists of one or more political subdivisions; (2) includes the geographies where the Bank has its main office, branches, and deposit-taking ATMs, as well as the surrounding geographies in which the institution originated a substantial portion of its loans; (3) consists of whole census tracts; (4) does not extend substantially beyond state boundaries (unless permitted otherwise by the regulation); (5) does not reflect illegal discrimination; and, (6) does not arbitrarily exclude low- and moderate-income areas.

The Bank’s assessment area includes the following municipalities, all of which are located in Plymouth and Norfolk Counties: Abington, Braintree, Duxbury, Hanover, Hanson, Hingham, Hull, Kingston, Marshfield, Norwell, Pembroke, Quincy, Rockland, Scituate, Weymouth, and Whitman. Furthermore, all cities and towns are located in the Boston-Cambridge-Quincy Metropolitan Statistical Area (“MSA”). Refer to Table 2 for pertinent demographic information concerning the assessment area.

Table 2 Demographic Information					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (census tracts)	72	1.4	2.8	61.1	34.7
Population by Census Tract Income Level	370,496	0.9	2.9	61.8	34.4
Owner-Occupied Housing Units by Census Tract	100,711	0.4	2.2	58.7	38.7
Distribution of Families by Income Level	96,113	14.4	16.9	23.5	45.2
Businesses by Census Tract Income Level	37,866	0.2	2.2	53.0	44.6
Distribution of Families by Census Tract Income Level	30,138	1.9	4.5	69.8	23.8
Median Family Income (2000)		\$72,249	Median Housing Value		\$210,012
HUD Adjusted Median Family Income for 2011		\$87,600	Unemployment Rate		2.7%
Families Below Poverty Level		3.5%	Unemployment Rate (Dec 2011)		6.8%

Source: 2000 U.S. Census, 2011 Business Geo-demographics Data, 2011 Department of Housing and Urban Development updated Median Family Income (MFI), and 2011 Bureau of Labor Statistics

As illustrated in Table 2, the Bank's assessment area consists of 72 census tracts, of which there is one low-income census tract (1.4 percent); two moderate-income census tracts (2.8 percent); 44 middle-income census tracts (61.1 percent); and 25 upper-income census tracts (34.7 percent). The low-income census tract is located in Quincy and the two moderate-income census tracts are located in Quincy and Weymouth.

The assessment area has a total population of 370,496 and includes 96,113 families. Of families in the area, 14.4 percent are low-income and 16.9 percent are moderate-income; with the greatest percentage upper-income, at 45.1 percent. Furthermore, 3.5 percent of families in the assessment area live below the poverty level, which is a sub-category of low-income families.

There are 149,821 housing units in the assessment area, of which 100,711 or 67.22 percent are owner-occupied; 42,629 or 28.5 percent are rental units; and, 6,481 or 4.3 percent are vacant. Of the 100,711 owner-occupied housing units, 0.4 percent are in low-income census tracts, while 2.2 percent are in moderate-income census tracts. The 2000 U.S. Census data indicates that the median housing value in the assessment area was \$210,012, and the median age of housing stock was 44 years.

Recent data from *Banker and Tradesman* show that median home prices in the assessment area in 2011 ranged from \$213,000 in Rockland to \$621,000 in Hingham. As of 2011, the median price within the Bank's entire assessment area stood at \$293,725. Home prices in this range generally make homeownership difficult to attain for low-and moderate-income families, and reduce the opportunity for financial institutions to make loans to individuals of these income levels.

According to the 2011 Business Geo-demographic Data, there are 37,866 businesses in the assessment area, of which 68.4 percent have gross annual revenues of \$1 million or less, 3.6 percent have gross annual revenues greater than \$1 million, and the remaining 28.0 percent have unknown revenues. The largest concentration of businesses is within middle-income census tracts. The composition of businesses by industry includes 41.5 percent in Services; 11.2 percent in Retail Trade; 9.2 percent in Construction; and 8.1 percent in the category of Finance, Insurance and Real Estate. In terms of number of employees, approximately 62.9 percent of the area's businesses employ four or fewer people.

The statewide unemployment rate for Massachusetts was 6.8 percent as of December 2011, according to the Bureau of Labor Statistics. The December 2011 unemployment rate indicates an improving trend, as the statewide rates in 2009 and 2010 were 9.3 percent and 8.3 percent, respectively. As of December 2011, the unemployment rates for some of the cities and towns in the assessment area, according to the Executive Office of Massachusetts Labor and Workforce Development were: 7.1 percent in Abington; 6.0 percent in Braintree; 5.0 percent in Duxbury; 4.5 percent in Hingham; 6.1 percent in Marshfield; and 6.4 percent in Quincy, Rockland, and Weymouth.

The Bank faces strong competition from other financial institutions within the assessment area. These institutions range in size from small credit unions and mortgage companies with single office locations to the largest banks in New England. Among the more prominent lenders competing with South Coastal Bank are Bank of America, JPMorgan Chase Bank, Rockland Trust Company, and Bank of Canton.

Community Contact

As part of the evaluation process, third parties active in community affairs are contacted to assist in assessing the housing and general banking needs of the community. Relevant information obtained from such sources helps to determine whether local financial institutions are responsive to the credit and service needs of the communities and what further opportunities, if any, are available.

The contact was conducted with a local community organization that provides support and skills to people facing challenges to their financial, physical, or emotional well-being. The organization provides a number of different services including foreclosure prevention, education and training, and economic stabilization.

The contact stated that funding is its biggest challenge, due to the current economic and financial environment. There is some participation from local banks, but the organization indicated that there is a need for financial institutions to increase their involvement in providing funding.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

1. LOAN-TO-DEPOSIT

This performance criterion determines what percentage of the Bank's deposit base is reinvested in the form of loans. Examiners analyzed the Bank's quarterly net LTD ratios for the 21 quarters since the prior Division and FDIC CRA evaluation, including quarters ending September 30, 2006 through September 30, 2011. These ratios are based on total loans, net of unearned income and the allowance for loan and lease losses, as a percentage of total deposits.

The Bank's average net LTD ratio during the review period was 102.8 percent. The net LTD ratio fluctuated from 94.6 percent as of September 2011 to 115.7 percent as of September 2009. During this timeframe, total deposit growth of 33.6 percent outpaced loan growth of 12.9 percent. The Bank's average net LTD ratio was compared to the ratios of four similarly-situated institutions, which were selected due to geographic proximity and lending area, lending focus, and asset size. Table 3 illustrates the peer group LTD ratio comparison.

Table 3		
Peer Group Loan-to-Deposit Comparison		
Institution Name	Total Assets \$(000s) as of 9/30/2011	Average Net LTD Ratio 9/30/2006 – 9/30/2011
S-Bank	213,489	107.1%
South Coastal Bank	260,610	102.8%
Weymouth Bank	201,697	88.8%
The Cooperative Bank	280,031	81.8%
Seaman's Bank	316,878	77.8%

Source: September 30, 2011 Call Report

As shown in Table 3, the LTD ratios of the other institutions ranged between 77.8 percent and 107.4 percent. South Coastal Bank is situated toward the high-end of the range, at 102.8 percent. Given the Bank's size and financial condition, the LTD ratio is more than reasonable.

2. ASSESSMENT AREA CONCENTRATION

This performance criterion evaluates whether the Bank is meeting the credit needs of its assessment area. The analysis includes both residential and small business lending.

Overall, considering home mortgage activity in 2009 through September 30, 2011 and YTD 2011 small business loan data, the Bank made a combined 56.7 percent of its loans inside the designated assessment area. Table 4 illustrates the Bank's record of extending residential mortgage and small business loans inside and outside the assessment area by number and dollar amount throughout the evaluation period.

Table 4
Distribution of Loans Inside and Outside of Assessment Area

Loan Category	Number Loans					Dollar Volume \$(000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
2009 Home Mortgage										
Home Purchase	4	22.2	14	77.8	18	3,522	32.9	7,187	67.1	10,709
Refinance	28	63.6	16	36.4	44	9,048	52.1	8,324	47.9	17,372
Home Improvement	3	60.0	2	40.0	5	185	9.6	1,750	90.4	1,935
Total	35	52.2	32	47.8	67	12,755	42.5	17,261	57.5	30,016
2010 Home Mortgage										
Home Purchase	16	64.0	9	36.0	25	5,097	62.3	3,084	37.7	8,181
Refinance	101	74.3	35	25.7	136	23,464	68.9	10,588	31.1	34,052
Home Improvement	1	50.0	1	50.0	2	30	37.5	50	62.5	80
Total	118	72.4	45	27.6	163	28,591	67.6	13,722	32.4	42,313
YTD 2011 Home Mortgage										
Home Purchase	22	47.8	24	52.2	46	5,573	44.0	7,081	56.0	12,654
Refinance	44	41.1	63	58.9	107	12,289	37.8	20,271	62.2	32,560
Home Improvement	0	0.0	1	100.0	1	0	0.0	100	100.0	100
Total	66	42.9	88	57.1	154	17,862	39.4	27,452	60.6	45,314
Total Home Loan	219	57.0	165	43.0	384	59,208	50.3	58,435	49.7	117,643
Small Business 2011	18	53.0	16	47.0	34	5,167	56.7	3,942	43.3	9,109
Grand Total	237	56.7	181	43.3	418	64,375	50.8	62,377	49.2	126,752

Source: 2009, 2010, and YTD 2011 HMDA LARs; 2011 CRA Small Business Sample

Home Mortgage Lending:

A majority of home mortgages were made within the assessment area. As shown in Table 4, the Bank originated 57.0 percent of its home mortgages by number and 50.3 percent by dollar volume within the assessment area overall. In 2009, the Bank made 52.2 percent of its home loans by number and 42.5 percent by dollar volume inside the assessment area. Reflecting an increasing trend in 2010, both in overall lending volume and volume inside the assessment area, the percentage of loans within the assessment area stood at 72.4 percent. YTD 2011 data shows that the volume of lending decreased in the assessment area, as only 42.9 percent in number of loans were made within the assessment area. The decrease in overall percentage inside the assessment area in 2011 is attributed to the addition of eight loan officers whose collective primary lending territory is outside of the assessment area, specifically Essex County and the Worcester area. As a result, the Bank experienced an influx in the number of residential loan originations outside the assessment area.

Small Business Lending:

Table 4 shows that the Bank originated 18 of the 34 sampled small business loans, totaling \$5.2 million, in the assessment area. This represents 53.0 percent of loans by number and 56.7 percent by dollar volume.

3. BORROWER PROFILE

This performance criterion evaluates the distribution of the Bank's residential and small business loans based on borrower characteristics.

Analyses were conducted of the Bank's residential mortgage loans based on borrower income and the Bank's small business loans based on business size. For residential lending, emphasis is placed on loans to low- and moderate-income borrowers, and for small business lending, emphasis is placed on loans to businesses with Gross Annual Revenues ("GAR") of \$1 million or less.

Overall, given the demographics of the assessment area, the Bank has demonstrated reasonable penetration of loans to individuals of different income levels and businesses of different sizes. The following sections detail the Bank's performance by loan type.

Home Mortgage Lending:

The Bank demonstrated a reasonable distribution of home mortgage loans to borrowers of different income levels, particularly those of low- and moderate-income. Table 5 illustrates the distribution of home mortgages by income level of borrower, and includes aggregate data from 2009 and 2010, as well as demographic data for comparison purposes.

Table 5 -									
Distribution of Home Mortgage Loans by Borrower Income*									
Loan Category	# of Bank Loans	Percent of Bank Loans				Percent of Aggregate Lending			
		Low	Moderate	Middle	Upper	Low	Moderate	Middle	Upper
2009									
Home Purchase	3	33.3	0.0	0.0	66.6	6.7	25.8	29.2	38.2
Refinance	26	7.7	23.1	19.2	50.0	5.1	18.5	28.2	48.2
Home Improvement	3	0.0	33.3	33.3	33.3	8.2	21.7	28.1	41.9
Total	32	9.4	21.9	18.7	50.0	5.6	20.2	28.4	45.8
2010									
Home Purchase	14	14.3	42.9	14.3	28.6	5.6	24.7	27.5	42.2
Refinance	99	2.0	14.2	42.4	41.4	3.3	16.4	28.2	52.1
Home Improvement	1	0.0	0.0	0.0	100.0	6.6	21.4	30.4	41.6
Total	114	3.5	17.5	38.6	40.4	3.9	18.4	28.2	49.5
YTD 2011									
Home Purchase	21	9.5	14.3	38.1	38.1				
Refinance	44	9.1	9.1	22.7	59.1				
Home Improvement	0	0.0	0.0	0.0	0.0				
Total	65	9.2	10.8	27.7	52.3				
Demographics	#	Distribution of Families							
		Low	Moderate	Middle	Upper				
Families	96,113	14.4	16.9	23.5	45.2				

*Excludes loans to borrowers of unknown income/income not reported.

Source: 2009, 2010, and YTD 2011 HMDA LARs

As indicated in Table 5, the Bank originated 9.4 percent of its loans to low-income borrowers in 2009, which exceeded the aggregate performance of 5.6 percent, but was less than the demographic data at 14.4 percent. In 2010, the Bank originated 3.5 percent of its home mortgages to low-income borrowers, which is comparable to the performance of aggregate lenders at 3.9 percent. Despite the overall lending volume decrease in 2011, the Bank increased its performance in lending to low-income borrowers to 9.2 percent. The relatively high housing

values throughout the assessment area, coupled with the difficulty a low-income individual would have qualifying for a residential loan under conventional underwriting standards, limits the opportunity for lending to low-income individuals. In addition, it is noted that a sub-set of low-income families, those with incomes below the poverty threshold, account for 3.5 percent of assessment area families.

In 2009, the Bank made 21.9 percent of its home mortgages to moderate-income borrowers, exceeding aggregate data in the categories of refinance and home improvement loans. No home purchase loans were made to moderate-income borrowers in 2009; however, in 2010, the Bank made 17.5 percent of loans to moderate-income individuals, which was comparable to the aggregate performance of 18.4 percent and exceeded demographic data at 16.9 percent. In 2011, the Bank made 10.8 percent of its loans to moderate-income borrowers, falling below demographic data.

Small Business Lending:

The Bank's small business lending activity was reviewed to assess the extent to which the Bank is helping to meet the area's business credit needs. The distribution of small business loans reflects reasonable dispersion to businesses of different sizes, particularly those with GARs of \$1 million or less. Table 6 depicts the distribution of small business loans by GAR level as compared to business demographic data.

Table 6			
Distribution of Small Business Loans by GAR Level			
Business GAR \$(000s)	% of Total Businesses	2011 Bank Data	
		#	% of #
≤ \$1,000	68.4	8	44.4
> \$1,000 or N/A	3.6	10	55.6
Unknown	28.0	0	0
Total	100.0	18	100.0

Source: 2011 Small Business Sample and 2011 Business Geo-demographics Data

As reflected in Table 6, the Bank made 44.4 percent of its small business loans to businesses with GARs of \$1 million or less in the first three quarters of 2011. While this is lower than the percentage of businesses in that size category (68.4 percent), this level of activity reflects reasonable responsiveness to small business credit needs of the assessment area considering the competition for small business loans throughout the area overall. It is also noted that 28.0 of businesses have unknown GARs. Furthermore, given the small number of loans, a slight change in the Bank's lending patterns would have a relatively large impact on the percentage of lending in any revenue category.

4. GEOGRAPHIC DISTRIBUTION

The geographic distribution performance criterion evaluates the distribution of loans by census tract income level, with emphasis on lending in low- and moderate-income geographies. As mentioned previously, the Bank's assessment area contains 72 census tracts, of which 1 is low-income, 2 are moderate-income, 44 are middle-income, and 25 are upper-income.

The distribution of residential mortgages and small business loans reflects reasonable dispersion throughout the assessment area, including low- and moderate-income census tracts. The following sections detail the Bank's performance by loan type.

Home Mortgage Lending:

The Bank demonstrated a reasonable distribution of home mortgages throughout the assessment area. Table 7 illustrates the distribution of home mortgages by income level of census tract, and includes demographic and aggregate data for comparison purposes.

Table 7									
Distribution of Home Mortgage Loans by Census Tract Income Level									
Loan Category	# of Bank Loans	Percent of Bank Loans				Percent of Aggregate Lending			
		Low	Moderate	Middle	Upper	Low	Moderate	Middle	Upper
2009									
Home Purchase	4	0.0	0.0	50.0	50.0	0.3	2.6	60.7	36.4
Refinance	28	0.0	0.0	67.9	32.1	0.2	1.3	50.8	47.6
Home Improvement	3	0.0	0.0	100.0	0.0	0.2	1.5	52.2	46.1
Total	35	0.0	0.0	68.6	31.4	0.3	1.6	53.2	44.9
2010									
Home Purchase	16	6.2	6.2	56.3	31.3	0.3	2.2	57.1	40.4
Refinance	101	0.0	0.0	50.5	49.5	0.3	1.6	50.0	48.1
Home Improvement	1	0.0	0.0	100.0	0.0	0.8	1.8	51.2	46.2
Total	118	0.9	0.9	51.7	46.6	0.3	1.7	51.6	46.4
2011									
Home Purchase	22	0.0	0.0	50.0	50.0				
Refinance	44	0.0	0.0	54.6	45.4				
Home Improvement	0	0.0	0.0	0.0	0.0				
Total	66	0.0	0.0	53.0	47.0				
Grand Total	219	0.5	0.5	54.8	44.3				
Demographics	#	Distribution of Owner-Occupied Units							
		Low	Moderate	Middle	Upper				
Owner-Occupied Units	100,711	0.4	2.2	58.7	38.7				

Source: 2009, 2010, and YTD 2011 HMDA LARs

As presented in Table 7, the Bank did not make any loans in 2009 or 2011 within low- or moderate-income census tracts; however, one loan was made both within a low- and a moderate-income census tract in 2010, which exceeded aggregate data in both categories. Considering the limited opportunity for making loans in the low- and moderate-income tracts as evidenced by the aggregate and demographic data, the Bank's performance under this criterion is reasonable.

Small Business Lending:

The geographic distribution of small business loans reflects a reasonable dispersion throughout the assessment area. Although not illustrated in table format, the geographic distribution of the Bank's small business loans within the assessment area was reviewed and compared to the business demographics for 2011.

The Bank originated 10 small business loans (or 55.6 percent) in middle-income census tracts; the remainder was made within upper-income census tracts. Overall, the distribution was comparable to the dispersion of businesses by census tract income level. While the Bank did not originate any small business loans in low- or moderate-income census tracts in the first three quarters of 2011, there is extremely limited opportunity to do so, as evidenced by business demographic data (only 2.4 percent of businesses are located in low- or moderate-income census tracts).

5. RESPONSE TO CRA COMPLAINTS

The Bank has not received any CRA-related complaints during the evaluation period.

APPENDIX A

Fair Lending Policies and Procedures

South Coastal Bank's fair lending policies and procedures were reviewed to determine how they conform to the guidelines established by Regulatory Bulletin 2.3-101, the Division's Community Reinvestment and Fair Lending Policy. A review of the public comment file indicated that the Bank received no complaints pertaining to the institution's CRA performance since the previous examination. In addition, a review of the Bank's residential loan application files was conducted to check for fair lending issues.

Specific areas pertaining to prohibited activity, advertising practices, loan review, training, policy review, the Bank's loan application process, and regulations pertaining to the Equal Credit Opportunity Act, Fair Housing Act, and the Home Mortgage Disclosure Act are discussed in the Bank's loan policy.

MINORITY APPLICATION FLOW

The purpose of the minority application flow is to assess the number of HMDA-reportable applications the Bank received from minorities within their delineated assessment area. The data analyzed was obtained from the Bank's HMDA LAR for 2009, 2010, and the first three quarters of 2011. In addition, the 2010 HMDA LAR aggregate data was analyzed in order to measure the Bank's performance relative to all other lenders within the assessment area. The Bank's minority application flow for this period was also compared with the racial and ethnic population of the assessment area. The comparison of this data assists in deriving reasonable expectations for the institution's minority application flow.

MINORITY APPLICATION FLOW										
RACE	Bank 2009		Bank 2010		Aggregate Data 2010		Bank YTD 2011		Bank TOTAL	
	#	%	#	%	#	%	#	%	#	%
<i>American Indian/Alaska Native</i>	0	0.0	0	0.0	37	0.1	0	0.0	0	0.0
<i>Asian</i>	0	0.0	2	1.3	1,438	4.4	4	4.0	6	2.0
<i>Black/ African American</i>	0	0.0	2	1.3	147	0.5	0	0.0	2	0.7
<i>Hawaiian/Pac Isl.</i>	0	0.0	0	0.0	26	0.1	0	0.0	0	0.0
<i>2 or more Minority</i>	0	0.0	0	0.0	1	0.0	0	0.0	0	0.0
<i>Joint Race (White/Minority)</i>	0	0.0	3	1.9	253	0.8	0	0.0	3	1.0
Total Minority	0	0.0	7	4.5	1,902	5.9	4	4.0	11	3.7
<i>White</i>	36	90.0	146	91.8	23,835	72.8	94	95.0	276	92.6
<i>Race Not Available</i>	4	10.0	6	3.8	7,026	21.4	1	1.0	11	3.7
Total	40	100.0	159	100.0	32,763	100.0	99	100.0	298	100.0
ETHNICITY										
<i>Hispanic or Latino</i>	0	0.0	1	0.6	185	0.6	1	1.0	2	0.7
<i>Not Hispanic or Latino</i>	36	90.0	151	95.0	25,241	77.0	97	98.0	284	95.3
<i>Joint (Hisp/Lat /Not Hisp/Lat)</i>	0	0.0	1	0.6	201	0.6	0	0.0	1	0.3
<i>Ethnicity Not Available</i>	4	10.0	6	3.8	7,136	21.8	1	1.0	11	3.7
Total	40	100.0	159	100.0	32,763	100.0	99	100.0	298	100.0

Source: 2009, 2010, and YTD 2011 LARs

The Bank's minority application flow for this period was compared with the racial and ethnic composition of the assessment area, and the 2010 aggregate data for all other HMDA reporters within the assessment area. According to 2000 U.S. Census Data, the Bank's assessment area had a total population of 370,496, 8.4 percent of which is representative of various racial and

ethnic minorities. The breakout of the assessment area's minority population is as follows: 4.5 percent Asian, 1.2 percent Hispanic, 1.2 percent Black, 0.1 percent American Indian/ Alaska Native, and 1.4 percent "other race."

The percentage of applications the Bank received from minority individuals was below the minority composition of the assessment area in 2009, 2010 and the first three quarters of 2011. In 2009, the Bank did not receive any applications from minority applicants. The Bank's performance increased slightly in 2010, as 4.5 percent of its applications were from minority individuals. This percentage was slightly below the aggregate level of loan applications. Regarding ethnicity, the Bank's 2010 performance was comparable to the aggregate percentage of Hispanic or Latino applications.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations, and Part 345 of the Federal Deposit Insurance Corporation's Rules and Regulations, require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks and the Federal Deposit Insurance Corporation, at 279 Union Street, Rockland, MA 02370."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agencies, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.